



OPTION	TYPE	EXPLANATION	TYPICAL REQUIREMENTS	SOURCES	SUPPLY	CURRENT TERMS					COMMENTS
						RATES	COVERAGE	POINTS	TERM (YRS)	AMORT	
CONSTRUCTION LOAN AGAINST TAKE-OUT	Debt	Finance project until permanent loan or other repayment source can be funded.	Track record, financial strength, equity and guarantee.	Mostly commercial banks and some insurance companies.	Adequate	Mostly LIBOR + 175bps to 200bps.	Loan level tied to takeout	1/4 to 1/2	Tied to completion	Interest Only	*Repayment source is often a forward commitment loan or proceeds from pre-sale.
OPEN-ENDED CONSTRUCTION LOAN	Debt	Finance project <i>without</i> take-out or other repayment source in place.	Strong sponsor and project with market support.	Banks and thrifts.	Adequate	P to P+3/4 or LIBOR + 175 to 250bps.	Loan level tied to anticipated take-out or sellout	1/4 to 3/4	Tied to expected timing of take-out	Interest Only	*Best availability for multifamily. *Substantial pre-leasing required for leveraged projects. *Typically 25%-30% equity required.
INTERIM LOAN	Debt	Shorter term fixed and floating rate loan.	Creditworthy Borrower and acceptable property collateral.	Mostly thrifts, and banks.	Good	180bp to 250bp over LIBOR. Fixed Rate option 225-275 over like maturity treasury.	1.20x+ to 1.25x+	0 to 1/2	1 to 3 plus extensions	15 to 30 yr amort. and interest only.	*For borrowers contemplating sale and/or those expecting better fixed rates later.
LIFE COMPANY PERMANENT LOAN	Debt	Fixed rate medium to long term financing available on an immediate funding basis on leased buildings.	Creditworthy Sponsor and a property of A or B quality.	Insurance companies.	Adequate	Range from 250bps to 325bps over like term Treasury.	As low as 1.25 for apartments 1.30 for other property types	0 to 1/4	5 to 30	15 to 30 yrs.	*These lenders have been deluged with business as a result of the difficulties being experienced in the securitization market.
CONDUIT LOAN	Debt	Fixed rate medium to long term financing available on an immediate funding basis on leased buildings.	Single asset borrower & and a property of A, B or C quality.	Lenders who securitize loans for sale as mortgage backed securities.	Poor	Not pricing.	N/A	N/A	N/A	N/A	*The "sub-prime" crisis has caused havoc with conduit lenders.
FANNIE MAE & FREDDIE MAC	Debt	Medium to long term financing available for apartment properties and assisted living facilities.	Creditworthy borrower. Apartment property of C+ quality or better or A quality assisted living.	DUS for Fannie and Program Plus for Freddie Lenders.	Good	Tiered pricing typically 225bps to 275bps over like term Treasury.	1.20	None	7 to 30	25 to 30 yrs	*Supplemental and variable rate programs available. *Look to Apartment Financing Matrix for more detailed information.
TAX- EXEMPT FINANCING (unenhanced)	Debt	Tax exempt financing on a long term basis.	Project must be deemed to have public purpose.	State HFA's, Bond Funds and a few banks.	Adaquate	100bps to 150bps over like term Treasury maturity.	1.15-1.25	2+plus cost of issuance	10 to 35	25 to 35	*Construction /Permanent loan. *Most activity is housing or health care related.
TAX- EXEMPT FINANCING (enhanced)	Debt	Tax exempt financing on a long term basis backed by a strong guarantor.	Project must be deemed to have public purpose.	Bond issuer and credit enhancer (bank, agency, FHA).	Adequate	Variable at SIFMA + 100-150 including credit enhancement.	1.15-1.25	2+ plus cost of issuance	10 to 40	25 to 40	*Rate caps often required on floating rate transactions. *Fixed rates also available (e.g. with FHA enhancement).
MEZZANINE LOAN	D/E	High interest rate subordinate loan designed to substitute for a portion of required equity.	A high return property requiring outside investment up to 70% - 85% of capital stack.	Investment banks, private investors and opportunity funds.	Adequate	Range from 9.5% to high teens.	1.1	Varies	Mostly 1 to 5	Varies	*The structure of this type of loan varies widely.
LAND & LAND DEVELOPMENT LOAN	Debt	Finance land acquisition, engineering, and infrastructure improvements.	Land with value that substantially exceeds the loan amount.	Banks, opportunity type lenders.	Poor	Varies widely.	Loan to values usually limited to 50% or less.	Wide range	1 to 3	Interest Only	*The "sub-prime" crisis has negatively impacted the underwriting of land loans.



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PREFERRED EQUITY	D/E	Similar to mezzanine loan but always has participation and is not secured by property.	Strong, experienced developer with a property that is perceived to have good appreciation prospects.	Life Company and some opportunity funds.	Adequate	9% to 11% preferred return plus share of equity & income.	N/A	N/A	Investment horizon typically 3-7 years	N/A	*Reserved for a top quality asset. * Target IRR 10% to 14%. * Participation in cashflow and residual of 25 to 75%. *Capital Stack can reach 95% of cost.
DEBT / EQUITY JOINT VENTURE	D/E	Finance 90% to 100% of cost by combination of debt & equity.	Usually reserved for top developers and premier projects.	Insurance companies and pension funds.	Adequate	Pricing cannot be generalized.	Varies	0 to 1	N/A	N/A	*Reserved for a top quality asset. * Some sources fund construction, others provide takeout. * Target IRR on equity is in the 10% to 15% range, depending upon level of leverage used.
BUILDING SALE LEASEBACK	Equity	Off balance sheet financing technique which allows lessee to control property for an extended term.	Long term lease which may have inflators providing appropriate return relative to the underlying credit of the lessee.	Pension funds, endowment funds, opportunity funds and some REITs.	Adequate	The lease payments are derived from the cost of the building and are set to yield a return of 7% to 11% on costs.	N/A	N/A	N/A	N/A	*There are now sources available for companies with less than investment grade credit. *Pricing depends on credit strength of tenant.
OUTRIGHT SALE	Equity	An outright sale for cash of property to a medium or long term investor.	A or B quality property with potential for good appreciation.	Mostly pension funds, REITs, L/P's and some off-shore investors.	Adequate	Value is a function of capitalizing net operating income (N.O.I.) at 6% to 9% depending upon the property's type and quality.	N/A	N/A	N/A	N/A	*The reduced supply of debt is negatively impacting this sector. * Investors focus is on multi-family, industrial, retail and office properties. * Overall IRR targets in the 9% to 12% range.
SYNDICATION (LIMITED PARTNERSHIP)	Equity	The sale through a limited partnership vehicle of the rights to cash flow, depreciation and/or tax credits.	A property that has investment appeal to syndicators because of reliable cash flow or tax credits.	Investment bankers (syndicators) who sell partnership interests to individual investors and corporations.	Adequate	Return to L/P range widely.	N/A	N/A	N/A	N/A	*Properties offering highly reliable cash flow. *All property types are now being offered.

*Estimated Spreads By Property Type and Quality
(Spreads over 10 year Treasury for 10 year term)*

Property Types	Low Leverage	Modest Leverage	"Hairy"
Apartments	2.25%	2.50%	3.00%
Office	2.50%	2.75%	3.00%
Research & Development	2.50%	2.75%	3.00%
Industrial	2.50%	2.75%	3.00%
Anchored Retail	2.50%	2.75%	3.00%
Assisted Living	2.50%	2.75%	3.00%
Hotels	2.75%	3.00%	3.25%

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